

BRISTOL CITY COUNCIL

**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
HELD ON 17TH JANUARY 2014 AT 9.30 AM.**

- P Councillor Brain (in the Chair)
P Councillor Emmett
P Councillor Hanby
P Councillor Hopkins
P Councillor Khan
A Councillor Weston
- P Ken Guy - Independent Member
P Brenda McLennan - Independent Member

Cllr Gollop, Assistant Mayor for Finance and Corporate Service
(left at 11.25am)

**AC
59.01/14 APOLOGIES FOR ABSENCE, SUBSTITUTIONS AND
INTRODUCTIONS**

Cllr Windows attended as a substitute for Cllr Weston.

**AC
60.01/14 PUBLIC FORUM**

None.

**AC
61.01/14 DECLARATIONS OF INTEREST**

None

**AC
62.01/14 MINUTES – AUDIT COMMITTEE – 8th NOVEMBER 2013**

a) Risk Register

The Committee agreed that when considering a risk register, it would be useful to include the minutes from the previous meeting when the risk register was discussed. This would enable progress to be monitored.

b) Benefit Fraud Investigation Half Year Report

- The Audit Committee Chair contacted the Mayor to request he lobby local MPs regarding information on the Single Fraud Investigation Service. No response had been received.
- The Chair had written a press statement highlighting the good work of the Benefit Fraud Investigation Team. Due to confusion with ownership between Corporate communications and the Labour Officer, the statement had not been issued. The Committee agreed that the issue should be discussed further with the Manager of Communications and Marketing.

Action – KB to seek clarification with the Manager, Communications and Marketing about the process to issue press releases from the Audit Committee Chair.

RESOLVED - That the minutes of the meeting of the Audit Committee held on 8th November 2013 be confirmed as a correct record and signed by the Chair.

AC 63.01/14 WHIPPING

None

AC 64.01/14 CHAIR'S BUSINESS

None

AC 65.01/14 ACTION SHEET

RESOLVED - that the updated action sheet be noted.

AC 66.01/14 WORK PROGRAMME

- A joint meeting of the Audit Committee and Resources Scrutiny Committee had been arranged for the 14th February 2014. An agenda conference would take place on the 27th January 2014. It was agreed that the Independent Vice-Chair would also be invited to the agenda conference.

Mark Taylor, Service Director – Finance agreed to circulate the Pension Fund Valuation information prior to the meeting. Members would be asked to submit questions prior to the meeting to ensure Officers were able to provide all the required answers.

- The Corporate Risk Register would be presented to the April Audit Committee meeting. Work was ongoing to increase the robustness of the risk register.

Actions;

(1) KB to invite to Audit Committee Vice-Chair to the Audit Committee / Resources Scrutiny Committee agenda conference on the 27th January 2014;

(2) Mark Taylor to circulate the Pension Fund Valuation information prior to the joint meeting;

(3) Members to submit questions on the Avon Pension Fund prior to the joint meeting. KB to co-ordinate.

RESOLVED - that the updated Work Programme be noted.

AC

67.01/14

UPDATE ON CODE OF CONDUCT MATTERS

The committee considered a report of the Service Director, Legal and Democratic Services (agenda item 9) relating to code of conduct matters.

Shahzia Daya, Legal Services was in attendance to present the report.

RESOLVED - that the summary of cases considered in the last quarter be noted.

AC

68.01/14

APPLICATIONS FOR DISPENSATIONS

The committee considered a report of Service Director, Legal and Democratic Services (agenda item 10) relating to applications for dispensations.

Shahzia Daya, Legal Services presented the report.

The following was noted as part of the discussion;

- Member transactions would be included in the statement of accounts.
- Members requested clarification on declarations of interest. The Bribery Act also required consideration.

Action – KB to circulate up to date guidance on Member Declarations of Interest and the Bribery Act.

RESOLVED - That the Audit Committee grant dispensations to the Councillors listed in Appendix A to the report to enable them to participate in discussion and vote on matters in relation to the civic budget 2014-15 and the setting of the council tax.

AC

69.01/14 BUSINESS CONTINUITY ANNUAL REPORT

The committee considered a report of the Strategic Director, Neighbourhoods (agenda item 11) relating to concerns raised by Audit Committee members in January 2013 regarding the inclusion of business continuity responsibilities in Service Managers PMDS / job descriptions and the impact of losing the Civil Protection Unit's GIS officer.

Jim Gillman, Deputy Civil Protection Manager introduced the report and noted the following salient points:

- The generic Service Manager job description now included business continuity and civil contingencies responsibilities. This ensured clarity over responsibilities.
- Measures have been taken to mitigate the impact of losing CPU GIS officer post – this included identification of a GIS 'lead' within Corporate GIS. 'Emergency Support' would be available from two GIS volunteers.
- The majority of recommendations following Exercise Laveer have been implemented. Some delays were due to re-organisation and would be followed up in March.

The Committee were invited to ask questions and the following was noted;

- Jim Gillman (JG) confirmed that although the loss of dedicated GIS has reduced the resources within CPU, measures have been put in place to provide mitigations.

- Emergencies were event led and issues would depend on the situation. Scenarios based exercises would take place and Bristol City Council (BCC) proactively planned ahead.
- The flood risk team worked with the environment agency and calculated tide times very accurately.
- The commissioning team considered tender documents in relation to business continuity planning.
- Mark Taylor, Service Director – Finance noted the low level of strategic reserves - it would be important to ensure that reserves were sufficient in case of an emergency. JG confirmed an estimate could be produced relatively quickly.
- Cllr Gollop, Assistant Mayor for Finance and Corporate Services referred to climate change and the serious potential risks, specifically flooding. Investment from the capital programme would be required over the next 25 years to alleviate the risk.
- JG highlighted that Bristol had been identified as a top 100 Rockefeller resilient Cities. Funding has been secured for a Chief Resilient Officer who would be located in Bristol Futures.

The Committee requested an annual update on the Business Continuity.

RESOLVED -

- (1) that the report be noted;**
- (2) that the Audit Committee receive an annual update on the Business continuity.**

AC

70.01/14

DEPARTMENTAL RISK REGISTER (DRR) - HEALTH AND SOCIAL CARE ELEMENT

The committee considered a report of the Interim Strategic Director, People (agenda item no. 12) covering the Quarter 2 risk management review for 2013/14.

Mark Wakefield, Service Manager, Performance and Infrastructure presented the report and noted the following:

- The report had been produced as a final review of the risk status before the Health and Social Care Directorate became part of the People Directorate.
- Care for vulnerable people would be the main risk - internal and external service provisions carried inherent risk which could not be fully mitigated.
- The register recorded 11 risks - six risks were rated as medium and 5 were rated as low. Some of the lows risks would be removed from the register.

The Committee were invited to ask questions and the following was noted as part of the discussion;

- As a demand led service, the risk of overspending would remain on the register.
- CQC were the statutory body responsible for regulating all health and social care services in England. In addition, six BCC Officers were responsible for ensuring that people were cared for correctly. Officers checked adherence to contracts and Health and Safety - the safety of people would be the primary concern. A voluntary older people befriending scheme operated – visiting facilities and reporting back.
- Cllr Hopkins referred to the good work of Alison Comley, the previous service director. The role required a good understanding of care and business. The Bristol Health and Social Care service were better than the average around the UK.
- Mark Wakefield noted the reputational risk: a separate risk to that of services being below standard.
- It would be impossible to eliminate the risk of death. Expertise in BCC should be retained to ensure support for partner agencies. Continuity of care would be important.

RESOLVED - that the Departmental Risk Register (DRR) Health and Social Care element be approved.

AC

71.01/14

QUARTER 3: 2013/14 PUBLIC HEALTH RISK REGISTER

The committee considered a report of the Strategic Director, Neighbourhoods (agenda item 13) covering the third quarterly risk management review for 2013/14.

Barbara Coleman (BC), Service Manager, Public Health presented the report, noting the 8 risks recorded (listed on page 87 of the agenda papers). Following the move to BCC, some areas of public health had transitioned well, others had been more challenging. Four risks were deemed high.

The Committee were invited to ask questions and the following was noted as part of the discussion;

- Public Health information had not been transferred to SPAR.net. Once this had been completed, the risk register format would be brought in line with other BCC registers.
- Cllr Hopkins suggested that public health should focus on promoting healthy lifestyles – rather than tackling issues when they go wrong. Risks could also include reputational risk, fraud, failure to meet targets etc.
- BC noted the ongoing work of Public Health on population risk and prevention of problems. The information provided to the Audit Committee focused on finances but more general information would be included in future. The Chair suggested that it would be more appropriate for the Resources Scrutiny Committee to consider bigger topics related to resource issues.
- Mark Taylor highlighted that the Corporate Risk Register would reflect the wider aspects of public health risk. SLT and Service Directors would review the corporate risk register and guidance would be cascaded down.

RESOLVED - that the Public Health Risk Register be approved.

AC

72.01/14

QUARTER 2: 2013/14 BUSINESS CHANGE RISK REGISTER

The committee considered a report of the Strategic Director Regeneration (agenda item 14) covering the second quarterly risk management review for 2013/14.

Mark Taylor, Service Director, Finance and Christine Castle, Business Support Manager presented the report, noting the following salient points;

- The Single Change Programme and the Business Change Directorate programme of change had a high risk status. The Single Change Programme had been revised to reflect the shift to the single change programme. The new programme would provide strong leadership and governance which would reduce risk. The impact of change and the risk of not delivering remained high. The Business Change Programme related to the directorates own change programme.
- The City Director led the Single Change Board which took overall responsibility for the change.
- A permanent Strategic Director for Place would start in February.
- Julia James, Service Director, Integrated Customer Services requested the removal of Welfare Reform from the register and suggested Welfare Reform Hardship Fund be added.
- The risk related to Icelandic banks remained on the register to allow monitoring.

The Committee were invited to ask questions and the following was noted as part of the discussion:

- The potential loss of productivity and morale would be monitored, overseen by the Service Director, Human Resources. The organisational strain was recognised.
- A pilot project on Temple Street had highlighted some initial issues. The cultural change could take 18 months to become embedded.
- The Committee noted that the Change Programme had been required – there would have been a separate and bigger type of risk if a Change Programme had not been implemented.
- The Annual Governance statement summarised the main concerns – no permanent SLT, a new Mayor and the new financial systems etc. The change programmes had been aligned and a robust structure implemented.
- MT noted the Committee concerns related to the risk and implications should the City Director leave the organisation. The risk had been mitigated in part by CRR5- Recruitment, retention and restructure. It was expected that a full, permanent, senior

management team would in place by the end of March and the business change programme has been well documented, with clear outcomes and targets. Middle managers would be targeted to ensure clear messages were communicated. The risk register assumed the stability of the City Director and Strategic Directors.

- The Council Tax Reduction risk should be considered in relation to the risks versus the potential financial benefit. Individuals unable to pay Council Tax should be managed correctly. Local Authorities who introduced the scheme have recouped money whilst protecting others through the hardship fund.
- MT confirmed that risk mitigations were in place and managers recognised the severity of the risk. Unexpected issues could arise due to the size of the programme. SLT were due to receive risk training, facilitated by an independent risk expert.

RESOLVED - that the Business Change Risk Register be approved.

AC

73.01/14

GRANT THORNTON'S CERTIFICATION WORK REPORT 2012-13

The committee considered a report of the Strategic Director Organisational Development (agenda item 15) relating to Grant Thornton's annual report on the results of certification work to those charged with governance.

Mark Taylor, Service Director, Finance introduced the report detailing the certification work on grant claims and returns.

External Auditors, Grant Thornton, have certified four claims and returns for the financial year 2012/13. Grant Thornton identified the following issues in relation to the management arrangements and certification of individual grant claims and returns:

- Testing of Housing and Council Tax Benefit Subsidy found that the Risk Based Verification (RBV) policy had not been approved by Members as detailed within DWP as the Council felt that this was unnecessary. Work undertaken had not found any issues with the application of the policy. No adjustments have been made for cases assessed under RBV.
- One claim was not provided for audit until the day before the Auditor submission deadline. The process for monitoring the

submission of claims has not been centralised and therefore susceptible to errors and missed deadlines.

The Auditors recommendations were detailed on page 118 of the agenda papers. No management responses had yet been received.

MT referred to the construction of a register which would ensure that managers were aware of responsibilities. Central controls would be required to ensure errors were avoided.

The Committee were invited to ask questions and the following was noted as part of the discussion:

- The Chair noted concerns with the report findings but felt reassured the results were unusual.
- RBV required information to be extracted from the system and manipulated – the level of manual input in to the document made the process challenging.
- John Golding, Grant Thornton noted the progress made - systems were now significantly better. The DWP process was complex which created errors. The loss of the Audit Commission could make the issue more difficult.

RESOLVED - that the Grant Thornton Certification Work Report 2012-13 be noted.

AC

74.01/14

FINANCE - CONTROL AND GOVERNANCE ACTION PLAN

The committee received a presentation from Mark Taylor, Service Director, Finance (agenda item 16) on the Control and Governance Action Plan.

Mark Taylor, Service Director, Finance circulated a summary of the position in respect of the risks and the actions. None of the individual risks were rated as high but the cumulative risk had caused concern. Monthly meetings were taking place with the Grant Thornton, external auditors who agreed with the Chief Internal Auditors that the direction of travel was positive and issues were being resolved. SLT were committed to addressing concerns.

MT noted that the Resources Scrutiny Committee had robustly challenged the budget process. This provided assurances that decisions were deliverable.

The Audit Committee would receive the quarter three update in February from Internal Audit, the report would comment on the direction of travel. Work continued with accounts payable and whilst there were several key issues to resolve, the controls expected were generally provided by the new finance system.

John Golding, Grant Thornton agreed that improvements had been made and no new concerns had been highlighted since the last meeting. The external auditor had met with the City Director to scope the next piece of governance work.

The Committee were invited to ask questions and the following was noted:

- Members expressed concerns that departmental budgets had not been provided – these were needed in order to scrutinise the budget correctly.
- Cllr Hopkins suggested that Members and Executive involvement should be considered separately as they were not linked. The requirement for financial reserves for low risk projects was questioned.
- MT noted that the reserves adhered to Council policy (reserves of £6million) but suggested these were too low in the current financial climate.
- It was hoped that the risks would be significantly diminished in six months' time.

RESOLVED - that the presentation be noted.

**AC
75.01/14**

INTERNAL AUDIT COMPLIANCE WITH PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS)

The committee considered a report of the Chief Internal Auditor (agenda item 17) providing a summary of the compliance with the Public Sector Internal Audit Standards (PSIAS) and requesting endorsement of the actions required which ensured compliance.

Alison Mullis, Chief Internal Auditor presented the report. The three main issues for consideration were summarised;

i. The appointment of the Chief Internal Auditor.

To date, the Chief Internal Auditor has been appointed by the Service Director, Finance. The Public Sector Internal Audit Standards (PSIAS) suggests the Audit Committee should approve decisions related to the appointment and removal of the Chief Internal Auditor (CIA). The reason for this is to enhance independence of the Chief Internal Auditor.

ii. Performance management of the Chief Internal Auditor

The CIA has previously been performance managed by the Service Director – Finance. The Audit Committee reviewed and concluded on the effectiveness of Internal Audit overall. The PSIAS suggested that the CIA should be performance managed by the Chief Executive Officer, with the Audit Committee feeding in to the performance management process. Again this would enhance the independence of the Chief Internal Auditor.

iii. The reporting line of the Chief Internal Auditor

The CIA had, to date, been line managed by the Service Director – Finance. The CIA has an open invitation to attend SLT and could report directly to senior management or Members at any level, including the Chair of Audit Committee, the Assistant Mayor or the Monitoring Officer. The PSIAS suggests the CIA should report to an organisational level equal or higher to the corporate management team. Such an arrangement would ensure that the Senior Management Team own and would be accountable for control and governance.

The Committee discussed the report and the following was noted;

- The Chair referred to the fact that there are no regular and formal meetings between himself and the Chief Internal Auditor. Previously informal meetings had taken place when traveling to the former Core Cities Audit Chairs meetings. If the Audit Committee Chair were to be involved with performance management of the CIA, training would need to be provided.
- John Golding, Grant Thornton noted that Internal Audit should be operationally independent from other functions of the Council. It would be important to ensure that Internal Audit have formal routes to report to the Chair of Audit and the City Director if necessary. Internal Audit should not perform executive functions.

- The Audit Committee Members agreed the main concern related to open access.
- Alison Mullis, Chief Internal Auditor noted that Angie Ridgewell has effectively supported the Chief Internal Auditors in her role as a Strategic Director. SLT engagement had improved.
- Mark Taylor noted that the Section 151 / Monitoring Officer currently attended SLT. The City Director had committed to the control environment from the central point.
- The Committee agreed:
 - That regular meetings should between the Chair of Audit and the CIA should be arranged;
 - That the position of the CIA should not be recruited or dismissed without the approval of the Audit Committee;
 - That the CIA should continue to report directly to the Service Director – Finance. The CIA would have open access to the City Director, The Chair of the Audit Committee and the Assistant Mayor for Finance and Corporate Resources.

RESOLVED -

- (1) that compliance with the PSIAS and the areas where compliance has not yet been achieved be noted; and**
- (2) that regular meetings between the Chair of Audit and the Chief Internal Auditor be arranged;**
- (3) that the Chief Internal Auditors should not be recruited or dismissed without the approval of the Audit Committee;**
- (4) that the Chief Internal Auditor should continue to report directly to the Service Director – Finance. The Chief Internal Auditor would have open access to the City Director, The Chair of the Audit Committee and the Assistant Mayor for Finance and Corporate Resources.**
- (5) That the Chair of the Audit Committee should contribute to the performance review of the Chief Internal Auditor**

76.1/14 FRAUD UPDATE

The committee considered a report of the Chief Internal Auditor (agenda item 18) providing an update on the counter-fraud work being undertaken by the Council and requesting endorsement of the revised fraud policy and the updated forward strategy and detailed action plan.

Andrea Hobbs, Audit Manager presented the report, noting the significant issues. The report demonstrated that Council's anti-fraud governance arrangements mainly reflected best practice but there were a few areas where arrangements could be strengthened. The Council understood the fraud risks faced and worked proactively to ensure these were prevented or detected and where allegations of suspected fraud were received, the Council has procedures for ensuring these were dealt with. Creation of a dedicated investigations team in Internal Audit demonstrated that dedicated resource to proactive fraud work had been highly beneficial to the Council as indicated in paragraph 6 of the report.

The Committee were invited to ask questions and the following was noted as part of the discussion:

- It was hoped that Internal Audit would continue to provide the same level of service following the implementation of the change programme. The fraud team were self-financing and the Committee were concerned that the budgets of teams who saved the Council more money than they cost, should not be cut.
- The deterrent value of fraud prosecutions should be recognised.
- AH assured that processes were in place to ensure people who reported issues were provided with acknowledgments or updated when appropriate. Prosecutions were negatively affected when information leaked to the press.
- Members requested that Councillors were provided with more detailed feedback than Members of the public. Section 5 of the report would be amended to reflect this.
- The Chair thanked Officers for the positive report.

RESOLVED -

- (1) that the counter-fraud work being undertaken by the Council and the continued value of this work be noted; and**

- (2) that the revised fraud policy and the updated forward strategy and detailed action plan be endorsed, subject to amendment in section 5 - requiring that Councillors receive detailed feedback when reporting issues.**

AC

77.01/14 EXCLUSION OF PRESS AND PUBLIC

RESOLVED - that under Section 100A(4) of the Local Government Act 1972, the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Part 1 of Schedule 12A to the Act as amended by the Local Government (Access to Information) (Variation) Order 2006.

AC

78.01/14 FRAUD UPDATE - APPENDICES

The Appendices were noted.

AC

79.01/14 DATE OF NEXT MEETING

RESOLVED - that a joint meeting of the Audit Committee and the Resources Scrutiny Commission be held on Friday 14th February 2014 at 9.30 am.

The meeting ended at 12.30 pm.

CHAIR